

## Message Text

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ACTION OES-07

INFO OCT-01 EA-10 ISO-00 STR-05 STRE-00 ACDA-12  
CIAE-00 INR-07 IO-13 L-03 NSAE-00 NSC-05 EB-08  
NRC-05 SOE-02 DODE-00 DOE-11 SS-15 SP-02 PM-05  
NSCE-00 SSO-00 USIE-00 INRE-00 /111 W  
-----073536 051026Z /21

O 050933Z JAN 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC IMMEDIATE 4098

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FOR SCHEINMAN, T AND NOSENZO, OES

FOR AMBASSADOR WOLFF, STR

PASS STR ELECTRONICALLY

E.O. 11652: GDS  
TAGS: TECH, ENRG, JA  
SUBJECT: U.S. REACTOR SALES IN JAPAN

REF: STATE 000922

1. BASED ON PRIOR KNOWLEDGE OF USG INTEREST IN EXPANDING PRIVATE SALES OF NUCLEAR POWER PLANT COMPONENTS TO JAPAN, EMBASSY HAD TALKED RECENTLY WITH LOCAL WESTINGHOUSE TECHNICAL REP, WHO IS FULLY AWARE OF WESTINGHOUSE APPROACHES TO STR. LOCAL REP GAVE EMBOFF COMPLETE DETAILS OF POTENTIAL SALES MARKET IN JAPAN, WHICH IS TIED TO LONG-STANDING WESTINGHOUSE-MITSUBISHI LICENSING RELATIONSHIP. WESTINGHOUSE BELIEVES THAT MITSUBISHI COULD BENEFIT FROM INTRODUCTION OF ADVANCED NUCLEAR POWER PLANT TECHNOLOGY AND FROM PURCHASE OF ADVANCED-DESIGN COMPONENTS. DOLLAR VALUE OF LATTER COULD RANGE FROM \$20 MILLION TO \$100 MILLION PER REACTOR, DEPENDING ON EXTENT TO WHICH MITSUBISHI WAS WILLING TO ACCEPT WESTINGHOUSE OFFER. TOTAL NUMBER OF PLANTS IN CONFIDENTIAL

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IMMEDIATE OFFING IS THREE WITH SEVEN MORE PROJECTED OVER NEXT SEVERAL YEARS. WESTINGHOUSE ALREADY HAS NEGOTIATED MAJOR INCREASE IN ITS ROYALTIES FOR ADVANCED TECHNOLOGY TRANSFERS.

2. RE PARA 2 REFTEL A, WE KNOW OF NO BARRIERS IN FORM OF LAWS OR REGULATIONS WHICH WOULD ACT AGAINST IMPORTATION OF TECHNOLOGY OR COMPONENTS. HOWEVER, IT IS WELL KNOWN DOMESTICALLY AND IN THE

NUCLEAR INDUSTRY IN THE U.S. THAT JAPANESE NUCLEAR MANUFACTURING INDUSTRY IS (A) QUITE CAPABLE OF CONSTRUCTING CURRENT GENERATION OF NUCLEAR POWER PLANTS WITHOUT OUTSIDE ASSISTANCE (BUT WITH PAYMENT OF ROYALTIES OR LICENSING FEES TO WESTINGHOUSE OR GE), (B) IS EXTREMELY SHORT OF WORK DUE TO SLOWDOWN IN CONSTRUCTION OF NUCLEAR POWER PLANTS DUE TO DIFFICULTIES IN OBTAINING SITES CAUSED BY ANTI-NUCLEAR OPPOSITION. FURTHERMORE, MITI HAS BEEN ENCOURAGING NUCLEAR INDUSTRY TO BECOME COMPLETELY SELF-RELIANT, PRESUMABLY FOR SECURITY PURPOSES BUT PROBABLY ALSO TO PROTECT JOBS IN PERIOD OF STAGNATION. WITH THIS KIND OF PHILOSOPHY, MITI WOULD NOT BE TOO CONCERNED IF INDIGENOUS MANUFACTURING COSTS ARE HIGHER THAN PURCHASES FROM U.S.

3. BOTH WESTINGHOUSE AND GE ARE COMPLETELY FAMILIAR WITH JAPANESE TECHNICAL STANDARDS FOR CONSTRUCTION OF NUCLEAR POWER PLANTS, HAVING BEEN THE SOURCE OF TECHNOLOGY AND MANY COMPONENTS FOR ALL PLANTS SAVE ONE OR TWO. THEREFORE, STANDARDS ARE NOT AN NTB, IN OUR OPINION. IN FACT, JAPANESE STANDARDS ARE BASED LARGELY ON U.S. STANDARDS; FOR EXAMPLE, MANUFACTURERS OF PRESSURE VESSELS IN JAPAN HAVE QUALIFIED TO USE "N" STAMP OF AMERICAN SOCIETY OF MECHANICAL ENGINEERS (ASME), INDICATING THAT THEY CAN MANUFACTURE PRESSURE VESSELS WITH A QUALITY EQUAL TO THAT REQUIRED IN U.S. AND COULD, IN PRINCIPLE, SELL PRESSURE VESSELS TO THE U.S.

4. BY COINCIDENCE, WESTINGHOUSE TOKYO HAS ARRANGED TO HAVE GORDON HURLBUT, PRESIDENT OF WESTINGHOUSE POWER SYSTEMS, MEET CONFIDENTIAL

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WITH AMBASSADOR ON FRIDAY, JANUARY 13, TO DISCUSS INCREASED SALES OF NUCLEAR POWER PLANT COMPONENTS OR TECHNOLOGY TO JAPANESE MANUFACTURER/LICENSEE. IT MIGHT BE USEFUL FOR AMBASSADOR WOLFF TO SIT IN ON THIS MEETING IF HIS SCHEDULE IN TOKYO PERMITS. WE BELIEVE THAT WESTINGHOUSE APPROACH HAS MERIT AND MAY PRODUCE RESULTS, BUT STR SHOULD RECOGNIZE THAT JAPANESE COULD NOT BE PRESSURED TO BUY COMPLETE POWER PLANTS FROM U.S. THIS WOULD BE COMPLETELY UNACCEPTABLE TO JAPAN AND WOULD NOT BE WHAT WESTINGHOUSE HAS IN MIND. LATTER HAS HAD LONG-STANDING, HIGHLY PROFITABLE RELATIONSHIP WITH MITSUBISHI AND WANTS TO MAINTAIN IT RATHER THAN DISRUPT IT, ACCORDING TO OUR SOURCE.

5. WE ALSO SUGGEST THAT STR MAKE CONTACT WITH OTHER U.S. REACTOR MANUFACTURERS. GE NUCLEAR OFFICIALS HAVE BEEN TRYING TO ESTABLISH NEW NUCLEAR RELATIONSHIP WITH THEIR LICENSEES IN JAPAN, HITACHI AND TOSHIBA. GE HAS BEEN EXPERIENCING REAL DIFFICULTY IN MAKING FURTHER SALES AND IS TRYING TO EFFECT A PARTNERSHIP FOR ADVANCED DEVELOPMENT AND CONSTRUCTION TO REPLACE THE MORE TRADITIONAL LICENSOR/LICENSEE RELATIONSHIP. BABCOCK AND WILCOX, HAVING RECENTLY OPENED TOKYO OFFICE, IS ALSO TRYING TO CAPTURE PORTION OF NUCLEAR MARKET. ALSO, GENERAL ATOMIC IN SAN DIEGO IS STILL TRYING TO INTEREST JAPANESE IN PURCHASE OF GAS-COOLED

REACTOR, ALTHOUGH PROSPECTS FOR SALE ARE MORE TENUOUS. OUR PURPOSE IN MAKING THESE SUGGESTIONS IS THAT STR SHOULD NOT GIVE APPEARANCE OF HELPING ONE U.S. MANUFACTURER TO EXCLUSION OF OTHERS.

SHERMAN

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## Message Attributes

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